

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA

**Minutes of the Regular Meeting
of the Board of Directors**

June 11, 2015

3:00 P.M.

at the

Ward VI Council Offices - East Conference Room

3202 East First Street

Tucson, Arizona 85719

Present: Board Members Marilyn Robinson
Gary Bachman (left at 5:15 p.m.)
Emily Nottingham
Judy Clinco
Evelia Martinez
Larry Lucero
Adam Weinstein (arrived at 3:07 p.m.; left at 4:25 p.m.)

Staff Charles Lotzar, Lotzar Law Firm, PC
Gary Molenda, Business Development Finance Corporation
Karen Valdez, Business Development Finance Corporation

Guests Camila Martins-Bekat, City of Tucson
Thaddeus Pace, El Presidio Neighborhood Association
Scott Riffle, George K. Baum & Company
Sue Zimmerman, Pueblo Parking Systems, LLC
Swain R. Chapman, Pueblo Parking Systems, LLC

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **June 11, 2015**, at the Ward VI Council Office - West Conference Room, 3202 E. First Street, Tucson, Arizona. All Authority’s Board Members and the general public were duly notified of the meeting. C. Lotzar had informed the Authority’s Board of Directors that Arizona’s Open Meeting Laws allow for members of the Authority’s Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

ITEM	ACTION TAKEN/TO BE TAKEN
1. Call to Order The meeting was called to order by Marilyn Robinson, with a quorum present.	The meeting was called to order at 3:04 p.m.
2. Request for resolution to approve the minutes of the Special Meeting of May 28, 2015.	A MOTION was made and seconded (L. Lucero / E. Martinez) to approve the Special Meeting minutes of the May 28, 2015 as presented. Approved 6-0.

<p>3. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority’s behalf by third parties.</p> <p>K Valdez reported that the invoice from BDFC Advisor Services, LLC exceeds the annual budget cap and requested approval of the increase due to increased activity related to the Block 175 Request for Proposals process. It was noted that the invoice for June 2015 will also be in excess of the annual budget cap.</p>	<p>A MOTION was made and seconded (E. Nottingham / J. Clinco) to 1) approve payment of invoices and notification of items to be paid as presented; 2) approve payment of invoice to BDFC Advisor Services, LLC acknowledging that the invoice amount is in excess of the FY14-15 annual contract compensation amount. Approved 7-0.</p>
<p>4. Status report from the Liaison to City of Tucson, Arizona City Manager’s Office related to:</p> <p>C. Martins-Bekat provided the following updates:</p> <p>a) The City’s Economic Development Prospect list</p> <p>Not seeing a lot of activity over the last few weeks. However, Comcast did announce that they have chosen to locate in Tucson and the City awarded Comcast the Primary Jobs Incentive and the Arizona Commerce Authority awarded Comcast the Job Training Incentive.</p> <p>b) The City’s use of the Tucson Community Development Loan Fund aka the HUD Section 108 Loan Program</p> <p>The authorization for use of funds was received from HUD for use for the Marriott Hotel. The archeology clearance is currently underway, and completion is anticipated by the end of June 2015.</p> <p>2 additional applications have been received:</p> <ol style="list-style-type: none"> 1. Arizona Hotel (submitted by Dabdoub Investments) – initial review completed. 2. Chicago Store (submitted by partnership between: Schwabe and Dabdoub) - concept is for an indoor market (stalls) and offices. <p>c) The City’s use of HOME Funds - No update.</p> <p>d) The City’s use of its 21 Economic Development tools</p> <ul style="list-style-type: none"> • 2 Government Property Lease Excise Tax (“GPLET”) 	<p>No action taken.</p>

<p>applications going to Mayor & Council on June 23, 2015.</p> <ul style="list-style-type: none"> Proposed change to the GPLET will also go before Mayor & Council for review and approval. The change would require the GPLET recipient to make a payment in lieu of tax to a Downtown Economic Development Fund and would enable the GPLET recipient the power to elect among 5 choices on the use of the funds. It was noted that this change is modeled after a program that the City of Phoenix has been operating for a number of years. <p>e) Current items of interest</p> <ul style="list-style-type: none"> Chris Kaselemis has retired from the City of Tucson and has moved to Maryland where he will be the Economic Development Director for St. Mary's County. Housing & Community Development ("HCD") is in the process of renewing the HUD Section 108 Loan Program agreement between the City and the Authority. 	
<p>5. Status report related to parity tests on the various outstanding single family mortgage revenue bond programs and request for resolution with respect thereto.</p> <p>C. Lotzar stated that there is no resolution required for this item. Mr. Riffle is present to answer any question and remains vigilant on all 3 single family programs - Series 2006, 2007 and 2008.</p> <p>There are no senior bonds outstanding on the 2006 or 2007 programs; all that remains are the bonds secured by the 2nd mortgage loans.</p> <p>Mr. Lotzar stated that there is a proposal from the Pima IDA to acquire the Authority's interest in the 2nd mortgages on the 2006 and 2007 programs for \$200,000; which is well beneath the amount of 2nd mortgages outstanding. The Pima IDA is interested in redeeming the bonds related to the 2nd mortgage loans after purchasing the 2nd mortgages from the Authority.</p> <p>Mr. Lotzar reviewed the Balance Sheets for all 3 programs; which were provided by George K. Baum & Company.</p> <p>It was noted that the series 2008 program still needs another \$4,000,000 of senior bonds to be paid down in order to get the required 10% per the Authority's optional redemption rights to be exercisable.</p> <p>It was noted that parity tests are undertaken every 6 months.</p>	<p>No action taken.</p>
<p>6. Status report related to professional services including a review and</p>	<p>A MOTION was made and</p>

<p>structure of administration (a) the Authority’s general counsel - Lotzar Law Firm, PC; (b) the Authority’s Advisor - BDFC Advisor Services, LLC; (c) the Authority’s parking lot managers - Pueblo Parking Systems, LLC ; and (d) the Authority’s auditor - Roberts & Associates, PLLC and request for resolution to approve 1 or more of the agreements related thereto for the fiscal year running from July 1, 2015 through June 30, 2016.</p> <p>Discussion ensued and it was the consensus of the Authority’s Board of Directors that the parking lot budgets, for the fiscal year (July 1, 2015 to June 30, 2016), should include projections/justifications for:</p> <ul style="list-style-type: none"> • Moving all monthly parking to Block 175 and leaving Stone/Council as a daily lot only. The budgets for each lot should reflect this change. • Pay Station for Stone/Council. Mr. Chapman mentioned the lot at Broadway & Stone will be breaking ground approximately November 2015 and will no longer have use for the pay station there. Mr. Chapman discussed getting a proposal to the Authority on cost of their pay station for Stone/Council. • Violation ticket income (based on fiscal year calculations). <p>It was the consensus of the Authority to continue the Parking Lot Management Agreement until the next meeting after receipt and review of revisions to the memorandum explaining budgeted projects and justification, and fiscal year 2015 - 2016 budget as discussed.</p>	<p>seconded (E. Nottingham / G. Bachman) to approve the auditor agreement with Roberts Alexonis Group (fka Roberts & Associates, PLLC). Approved 7-0.</p> <p>A MOTION was made and seconded (E. Nottingham / G. Bachman) to approve the Engagement Letter from the Lotzar Law Firm, PC as presented. Approved 7-0.</p> <p>A MOTION was made and seconded (E. Nottingham / G. Bachman) to approve the Agreement for Services from BDFC Advisor Services, LLC as presented. Approved 7-0.</p> <p>CONTINUE to next meeting - review of the Authority’s Parking Lot Management Agreement.</p>										
<p>7. Status report related to the Bylaws provisions and the Authority’s historical dealings and request for resolution with suggested motion regarding the election of the Authority’s executive officers for the fiscal year running from July 1, 2015 until June 30, 2016 based on the following slate:</p> <table border="0"> <tr> <td><u>Office:</u></td> <td><u>Name:</u></td> </tr> <tr> <td>President</td> <td>Marilyn Robinson</td> </tr> <tr> <td>Vice President</td> <td>Gary Bachman</td> </tr> <tr> <td>Secretary</td> <td>Evelia Martinez</td> </tr> <tr> <td>Treasurer</td> <td>Evelia Martinez</td> </tr> </table> <p>M. Robinson stated that pursuant to the Authority’s By-laws, nominations can be taken from the floor. There were no nominations received and it was the consensus of the Authority’s Board of Directors to approve the slate of officers as presented. It was requested that the nomination of officers /approval process be placed on the Strategic Planning Meeting agenda for discussion.</p>	<u>Office:</u>	<u>Name:</u>	President	Marilyn Robinson	Vice President	Gary Bachman	Secretary	Evelia Martinez	Treasurer	Evelia Martinez	<p>A MOTION was made and seconded (E. Nottingham / A. Weinstein) to approve the slate of officers as presented. Approved 7-0.</p>
<u>Office:</u>	<u>Name:</u>										
President	Marilyn Robinson										
Vice President	Gary Bachman										
Secretary	Evelia Martinez										
Treasurer	Evelia Martinez										
<p>8. Status report related to the affairs of Dark Mountain Development</p>	<p>CONTINUE to next</p>										

<p>Corporation and request for resolution related to any actions related thereto.</p> <p>It was the consensus of the Authority to continue this item to the Strategic Planning Meeting to be held Thursday, August 20, 2015.</p>	<p>meeting.</p>
<p>9. Status report related to the 2015 Arizona Housing Forum to be held August 26 - 28, 2015 at the Arizona Biltmore Hotel, Phoenix, Arizona and request for resolution for any action related thereto.</p> <p>M. Robinson presented a request for sponsorship of the 2015 Arizona Housing Forum received from the Arizona Department of Housing. Discussion ensued and it was the consensus of the Authority’s Board of Directors to approve sponsorship contingent upon approval from The Industrial Development Authority of the County of Pima for a Joint Sponsorship at the Gold Partner level, as done in prior years.</p>	<p>A MOTION was made and seconded (G. Bachman / E. Nottingham) to approve sponsorship, at the Gold Partner level, contingent upon approval from The Industrial Development Authority of the County of Pima for a Joint Sponsorship. Approved 7-0.</p>
<p>10. Staff Reports:</p> <p>K. Valdez provided status on the following:</p> <p>Monthly Staff Report for the month ending May 31, 2015.</p> <p>a. General Operations of the Authority:</p> <ul style="list-style-type: none"> i. Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”) - Reviewed reports as prepared and submitted by PPS. ii. Bond Borrower’s payment of Administrative Fees - as of May 31, 2015 all fees are current. iii. Cash Management - Reviewed interest bearing and non-interest bearing accounts; reviewed account balances less existing commitments and recommended reserves for an estimate of funds available. iv. Loan Servicing - G. Molenda reported a relational issue on one of its loans to Planet Smoothie a Participation loan between the Authority and BDFC. There is a payment default on a balloon payment due to BDFC; which is currently being evaluated for restructure. <p>Although considered a payment default to BDFC; this event is considered a covenant default to the Authority. The monthly payments to the Authority are not in default and are paying as agreed.</p>	<p>No action taken.</p>

This report is to be considered as a notification only at this point.

- v. **Loan Origination** - No new loan requests. 3 pending loans: Gibson's Market (amended amount), Desert Horizons Community, and the Nonprofit Loan Fund's final draw amount.

It was noted that the average lending activity for the last 3 fiscal years is +/- \$522,000.

- vi. **450 N. Main Street** - No activity.
- vii. **Website** - the Authority's website is currently undergoing revisions that will allow potential proposers to register to access the Block 175 Request for Proposals.

b. Updates:

- i. **Federal legislation**
- ii. **Arizona legislation**

c. Outstanding Single Family Programs:

- i. **Mortgage Revenue Programs that have completed the Origination Period:**
 - A. **Series 2006 (Joint) - \$30,475,000- 1st Mortgage Loan Interest Rate 5.97% - Final Redemption of Senior Bonds July 28, 2014 - CUSIP No. 89873QAB5 Subordinate (approximately \$196,000 - 7% 2nd Mortgage Loans are tied to the Subordinate Bonds of approximately \$820,000) .**
 - B. **Series 2007A (Joint) - \$23,400,000- 1st Mortgage Loan Interest Rate 5.69% - Final Redemption of Senior Bonds July 28, 2014 CUSIP No. 89873QAE9 Subordinate (approximately \$192,000 - 7% 2nd Mortgage Loans are tied to Subordinate Bonds of approximately \$135,000).**
 - C. **Series 2008 (Joint) - \$30,000,000- Mortgage Loan Interest Rate 5.89% -**

Term Bonds CUSIP Nos. 898700FH7, 898700FJ3, 898700FK0 and PAC Bonds CUSIP No. 898700FL8 (approximately \$7,565,000 outstanding).

D. Restructuring Opportunities and past results.

- ii. Mortgage Credit Certificate Program that is in the Origination Period – 2014 in the amount of \$5,000,000 formed on January 2, 2014 - Origination Period expired December 31, 2016.**

K. Valdez reviewed the **2014** MCC Summary Report noting **20** MCCs issued to date, with **4** MCCs pending.

- iii. \$40,000,000 The Industrial Development Authority of The County of Pima and The Industrial Development Authority of The City of Tucson, Arizona Revolving Taxable Single Family Mortgage Loan Program of 2012 (Pima Tucson Homebuyers Solution) – Program commenced on December 17, 2012 and unless extended expires on December 31, 2016 - over \$140,278,000 in mortgage-backed securities sold with over \$5,611,000 of down payment assistance granted to homebuyers.**

K. Valdez reviewed the PTHS monthly update as prepared by George K. Baum & Company. Loans as of **May 31, 2015**: total count is **1,509** with a total loan amount of **\$185,643,555**. Loan count just for the month of **May 2015** is **106** with a total loan amount of **\$14,780,286**.

C. Lotzar stated that **\$50,000** was received prior to the last meeting and another **\$50,000** will be received next month reflecting fees earned on the PTHS program.

S. Riffle reported that he presented on a panel at the National Association of Local Housing Finance Agencies (“**NALHFA**”) **2015** annual conference, pertaining to the Freddie Mac HFA Advantage Program (conventional product). Mr. Riffle noted that Freddie Mac has long wanted to get back into the Housing Finance Agency (“**HFA**”) market. Lenders will be trained on **June 24, 2015** for a launch of the product on **July 1, 2015**. Mr. Riffle stated that this is a product that Lenders do not have access to on their

<p>own; it is a product unique to HFAs. The HFA Advantage program allows a 97% loan - to - value so borrowers can take advantage of the 4% down payment assistance fee. Freddie Mac is not assessing an adverse market fee as of September 1' 2015; which is 25 basis points that Lenders will need to pay outside of the program. Freddie Mac will also not assess another fee that is approximately 1.5 points.</p> <p>Mr. Riffle stated that US Bank will put overlays on the product noting that they are the only Master Servicer in the market. It was also noted that the PTHS program will be one of the 1st to use the Freddie Mac product.</p>	
<p>11. Status Report related to development of the Request for Qualifications/Request for Proposal (“RFQ/RFP”) or other process related to the potential development of Block 174 and/or Block 175 and request for resolution for any actions related thereto. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Authority may vote to recess and meet in executive session for the purpose of discussion or consultation with and to provide direction to the Authority’s legal counsel in connection with this item. Any action taken by the Authority regarding this matter will be taken in open meeting session (either at this meeting or at a later date) after the adjournment of the executive session.</p> <p>C. Lotzar stated that Adam Weinstein has declared a conflict and is recusing himself from discussions related to the development of the Block 175 RFQ/RFP or any other process related to the potential development of Block 175 and / or Block 174 and to avoid the appearance of impropriety Mr. Weinstein is physically leaving the meeting.</p> <p>Mr. Weinstein left the meeting at 4:25 p.m.</p> <p>M. Robinson stated that the original template, from the City of Phoenix, has been thoroughly reviewed and significantly modified by the Authority to capture “business issues”, including but not limited to the Authority’s goals and objectives, proposal submittal requirements, and input from stakeholders. Ms. Robinson noted that the most recent changes, incorporating items discussed at the last regular meeting, were provided by G. Molenda to Mr. Lotzar for legal review and a draft document dated June 11, 2015 was prepared by Mr. Lotzar.</p> <p>M. Robinson stated that there are proposed changes that do not appear to have legal implications. It was noted that any proposed changes that take away from the original decisions of the Authority will not be made unless a legal issue can be demonstrated and the Authority agrees to the change and includes the rearrangement of the document.</p>	<p>A MOTION was made and seconded (E. Nottingham / L. Lucero) to approve the June 11, 2015 draft RFP for Block 175, subject to incorporation of the Board of Directors input and direction provided at the June 11, 2015 meeting, and further resolved that the President of the Authority is authorized to review the final form of RFP and make or approve any final changes prior to issuance of the RFP. Approved 5-0.</p>

Ms. Robinson reviewed the email from Mr. Lotzar to the Authority dated **June 10, 2015**. The email is in a step by step approach as follows:

- **Step 1: Mechanical Changes** - correcting inconsistency and ambiguity as concepts that are ruled against the issuer of an RFP.
- **Step 2: Inconsistent Concepts and Redundancy** - addresses formatting and readability issues.
- **Step 3: Clarity of Deliverables and Request for Direction on Business Decisions** - shortens the RFP document and adds some degree of clarity.
- **Step 4: Open Issues Remaining** - issues that cannot be resolved without direction.

Mr. Molenda reviewed Steps **1** and **2** along with the draft RFP for discussion purposes that contains all strike outs and a draft RFP that shows highlighted changes only for ease of reading. It was noted that both drafts were provided in order to track and trace all changes made to date.

K. Valdez confirmed that all changes made at the last Regular Meeting are included in the most recent draft RFP, although the language may have been moved to a different location in the document.

Mr. Molenda acknowledged that there were problems with the formatting that has been cleaned up, legal requirements were clarified throughout the document and things were eliminated that were not necessarily required.

Mr. Molenda reviewed the following:

- **Mechanical Changes:** using defined terms consistently, correction of cross references, etc. (**1a - 1h**).
- **Formatting and “readability” Changes:** **2a, 2d, 2f, and 2h**.
- **Clarification of Deliverables:** **3a, 3b, 3d, and 3f**.
- **Legal review:** The legal review resulted in some significant changes to the format of the RFP which resulted in a simpler more readable document:
 - 2b:** Proposer’s Affidavit expanded to include material concepts previously described in the body of the RFP.
 - 2c:** Proposer’s Questionnaire modified and expanded to include legal requirements previously included in the body of the RFP.

2e: Proposer's Affidavit and Proposer's Questionnaire are now 2 separate documents.

2g: Submittal checklist deleted - it was not complete enough to be helpful and added little value.

3d: Eliminated the "Non-Responsive" Advisor level review, because it required the Authority's Advisors to make business decisions. This also eliminated the text related to "Responsive".

Other legal issues under review:

- Section III.C Informal Inquiries (pg. 9).
- Section III.D Confidential information (pg. 10).
- Section VI.A. Public Record (pg. 22).
- Section VI.B Confidential Information (pg. 23).

M. Robinson discussed the highlighted areas noting changes made and the open issues remaining in **Step 4**:

a) Conceptual Site Plan and Colored Renderings, Circulation Plan, and Detailed Development & Construction Plans.

- It was the consensus that "detailed" development & construction plans are not needed.
- Remove the word "detail" and change Plan to "schedule".

b) Sources and Uses good to add but Financial Capacity and Pro Forma are pre-mature and unnecessary for Phase I.

- Remove "financial statements" and "equity and debt capital."
- Leave in: "letters of interest from debt and equity capital providers."

c) Delete requirement for "Certificate of Good Standing" from Phase I & II until entering into a contract.

d) In Affidavit:

- Remove "Market Demand Study" and replace with "Market Analysis".
- Remove the word "committed".

<p style="text-align: center;">➤ Require a commitment to provide a “mitigation plan” if move into Phase II.</p> <p>e) Architectural Rendering & Model - stays in.</p> <p>f) Certificate of Good Standing only required when entering into a contract.</p> <p>g) Delete: Solicitation Transparency Policy that eliminates the possibility of meeting with any Proposer during the Phase I process.</p> <p>h) Leave in reserved rights of the Authority in Section VIII item 1, but it is the consensus of the Authority’s Board of Directors that not to exercise this option as it pertains to Mr. Weinstein (no predisposition to disqualify him).</p> <p>i) Performance dates on the cover page are correct.</p> <p>k) No late submissions will be accepted.</p> <p>l) Communications will be contained within addendums that will be posted on the Authority’s website</p> <p>It was the consensus of the Authority to approve the June 11, 2015 draft RFP for Block 175 for publication, subject to incorporation of the Authority’s Board of Directors input and direction provided today, and to authorize the President of the Authority to review the final form of the RFP and make or approve any final changes prior to issuance of the RFP.</p>	
<p>12. President’s Report: Brief Summary of current events, including items brought to the President’s attention or matters that required handling by the President since the last meeting.</p> <p>M. Robinson reported the following:</p> <ul style="list-style-type: none"> ➤ The regular meeting of August 13, 2015 will be cancelled and held as a Special meeting to be held Thursday, August 20, 2015 during the Strategic Planning Meeting (“SPM”). ➤ Any requests for agenda items for the SPM should be sent to K. Valdez. ➤ Downtown Links Open House will be held Tuesday, June 16, 2015 from 5:30 - 7:30 PM at the Hotel Tucson City Center. 	No action taken.
<p>13. Call to the audience There was no one in the audience who wished to address the Authority.</p>	No action taken.

14. Adjourn	A MOTION was made and seconded (E. Nottingham / L. Lucero) to adjourn the meeting at 5:25 p.m. Approved 5-0.
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Submitted by:

Approved by:

Karen J. Valdez
Business Development Finance Corporation

Marilyn Robinson, President
The Industrial Development Authority of the
City of Tucson, Arizona

